Research Update:

South Winneshiek Community School District, IA Series 2027 Sales, Services, And Use Tax Revenue Bonds Rated 'A'

November 18, 2026

Overview

- S&P Global Ratings assigned its 'A' long-term rating to South Winneshiek Community School District (CSD), Iowa's approximately $7.6 million series 2027 school infrastructure sales, services, and use tax revenue bonds.
- The outlook is stable.

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Rationale

Security

A first lien on a statewide one-cent sales, services, and use tax distributed to school districts on a per pupil basis for school infrastructure secures the bonds. Senate File (SF) 2472, signed by the governor on May 18, 2026, incrementally increases the share of the 1.0% sales tax that is diverted for property tax relief to 25.0% of collections in fiscal 2031 from 7.1% in fiscal 2026. Net distributions to school districts were $1,407 per pupil in fiscal 2026, and the state projects that this will drop to $1,384 in fiscal 2027.

Proceeds will be used to fund capital projects at the district's high school campus and fund a debt service reserve fund to the lowest of maximum annual debt service (MADS), 10% of principal, or 125% of average annual debt service.

We rate the bonds under our priority-lien tax revenue debt criteria, Oct. 22, 2018, which considers pledged revenue strength and stability and the district's creditworthiness.

Credit highlights

The rating reflects our view of the district's limited and declining local population and relatively stable but small enrollment base, as well as MADS coverage that we expect will improve in the coming years despite expected deterioration in pledged revenue related to SF 2472. Enrollment has been largely stable over the last five years, but the long-term trend is negative: The district's certified enrollment has fallen by 5.6% over the past decade. Although management is projecting

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stable enrollment in near term, we note the limited agricultural economic base and declining local population as a potential source of enrollment pressure.

To account for the impact of SF 2472, we have applied stress tests assuming different variations of flat enrollment, flat gross sales tax revenue, enrollment in line with state projections (which show modest growth), and 2.44% gross sales tax revenue growth (which is the 25-year average retail sales growth in Iowa). Assuming 1.1% growth in statewide gross sales tax and using the state's enrollment projections, MADS coverage falls to a low of 1.28x in 2028 and grows to 1.4x in 2031. We expect MADS coverage will remain consistent with the rating.

Factors incorporated into our analysis include:

- Very strong economic fundamentals reflect the depth and breadth of the statewide pledged revenue base. Iowa's population (about 3.2 million) and employment growth have trailed those of the nation, although unemployment has historically lagged the U.S. rate. Iowa's per capita effective buying income equals 94% of the national level.
- Revenue volatility is low. Macroeconomic volatility reflects historical volatility of taxed activity and societal, demographic, political, and other structural factors. Sales tax collections have historically exhibited relatively stable performance across economic cycles at the state level. At the microeconomic level, we see no offsetting risks. Under the funding formula, districts with modest enrollment declines have generally reported flat-to-growing year-over-year revenue and stable debt service coverage (DSC), although SF 2472 will likely interrupt this trend during its five-year phase-in.
- Coverage and liquidity are weak to adequate. Fiscal 2026 collections provide 1.37x MADS coverage, which we expect may fall modestly below the 1.3x ABT through 2028 due to SF 2472. We expect coverage to improve with revenue growth.
- There is a close relationship between the priority-lien pledge and the obligor's pledge because the flow of funds leads to a one-notch upward limitation compared with the district's general creditworthiness.
- For more information on our view of the district's general creditworthiness, see our report on the district's general obligation bonds, Sept. 9, 2026.

Outlook

The stable outlook reflects our expectation that, despite the change brought about by SF 2472, MADS coverage will remain supportive of the rating as revenue is diverted.

Downside scenario

We could lower the rating by one or more notches if statewide sales tax collections were to decrease, future legislative changes reduced net distributions, or enrollment were to drop to such a degree that pledged revenue also significantly deteriorated, leading to lower-than-expected DSC. We could also lower the rating if general creditworthiness were to weaken materially.

Upside scenario

We could raise the rating if the district's declining local population stabilizes and enrollment trends and coverage improve.

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South Winneshiek Community School District, Iowa--key credit metrics	
Economic data	
Economy	Very strong
Pledged revenue taxing base	Iowa
EBI level per capita % of U.S. (taxing base)	94
Population (taxing base)	3,221,776
Broad and diverse MSA	Yes
Financial data	
Revenue volatility	Low
Coverage and liquidity	Weak-Adequate
Baseline coverage assessment	ABT
MADS coverage (x)	1.37
MADS year	2028
Annual debt service coverage (x)	--
Pledged revenue 2-year CAGR (%)	0.85
Bond provisions	
ABT (x)	1.30
ABT type	MADS
ABT period	Historical
DSRF type	Lesser of 3-prong
Obligor relationship	
Obligor linkage	Close
PL rating limit (number of notches above OC)	1

Data points and ratios may reflect analytical adjustments. EBI--Effective buying income. MSA--Metropolitan statistical area. MADS-Maximum annual debt service. 2-year CAGR--2 periods of compound annual growth rate change over 3 years. ABT--Additional bonds test. DSRF--Debt service reserve fund. PL--Priority lien. OC--Obligor creditworthiness. 3-pronged test--MADS, 10% of principal, or 125% of average annual debt service.

Ratings List	
New Issue Ratings	
US$7,635,000 South Winneshiek Community School District, Iowa, School Infrastructure Sales, Services and Use Tax Revenue Bonds, Series 2027, dated: Date of Delivery, due: June 1, 2056	
Long Term Rating	A/Stable
New Rating	
Local Government	
South Winneshiek Comnty Sch Dist, IA School Infrastructure Sales Tax	A/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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